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Official Diary
(Acting DD/I)

Tuesday, 25 November 1952

25X1A9a 1. First thing reported to DCI the results of yesterday's Steering Group Meeting and of my conferences with [REDACTED] Kent, Dulles, et al, on DCI's recommendations and letter of transmittal. Presented him with a draft of NSC's actions to implement all three paragraphs and secured his consent to these plus his directions to have [REDACTED] attend in the absence of Dulles and myself.
25X1A9a Instructed [REDACTED] accordingly. Told them not to yield on essential issues. They did attend the meeting and secured approval to the first two recommendations with minor changes. Admiral Woolridge was adamant against taking staff action on third item - an examination of commander estimate machinery by DCI - Frank Nash thought in view of this he could not assent; so this matter was left with no staff action, DCI being free to present the matter individually at the Council Meeting.

2. Attended lecture by Ass't. Secretary Wilfred McNeil at the National War College at which he presented and discussed the essential elements of the defense budget for 1954. Salient facts noted were:

a. Net cost of the Korean War per year over and above maintaining the same forces in training and bases is less than one billion dollars.

b. Neither a monetary limit nor basic strategic concepts dictate the size of the defense budget; rather the governing factor is the number of physically fit males reaching military age and the term of service 24 months, which is believed to be the maximum the American people will tolerate under present world conditions. This annual increment will support a force of no more than 3,600,000 or possibly 3,700,000; therefore all planning starts from this point and is designed to produce a balanced force which will be completely re-equipped with modern weapons at various dates running through 1954 for the Ground Forces and through 1956 for the Air Force.

c. Basic figure of \$11,000.00 per man per year is total maintenance cost without purchase of new hardware other than on a regular replacement basis. Therefore, long-term defense budget outlook, assuming conditions and prices remain roughly stable, is slightly under \$40,000,000,000 a year. This will provide full equipment for forces in being and those to be mobilized in the first twelve months and will maintain production of such items as tanks at the bare replacement rate so that the assembly lines are capable of being accelerated. This alternative is chosen over producing a year's stockpile and closing down productive facilities.

c. Vast savings have been made through "incorporation" of all defense units which can be treated as businesses, e.e., Naval Yards, MSTs, Defense Printing Establishment, Pentagon, Coffee Roasting, etc. (This possibility should be taken up with [REDACTED] with respect to certain parts of this Agency.)

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d. Single agency procurement for the entire defense establishment is not economical for standard items where the quantities required by all Services are substantial, e. g., passenger sedans. On the other hand, it is obviously sensible where the items are specialized military equipment and one Service has the perponderance of requirements, e. g., tanks, Army and Marine. Hence, [REDACTED] 25X1A9a has produced Directive 4008, which states as his policy that there will be individual Service procurement in all cases except where single Service procurement can be clearly demonstrated to afford a saving.

e. All accounts have been placed where practical on an inventory basis so that true cost, i. e., consumption, can be measured (querie whether there is adequate stock/turnover control to prevent excessive stockage.)

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3. With DCI and [REDACTED] went to Bureau of Budget where presented a general roundup of the world situation to Director Lawton, Assistants Staats, three others, and Mr. Joseph Dodge, representing General Eisenhower. World situation - present and projected - through two and ten years - was discussed by DCI and then individual situations of danger were covered in more detail. Many questions were asked, including policy matters which DCI handled with appropriate diffidence. At DCI's direction, copy of National Intelligence Digest was given to Mr. Lawton. DCI took opportunity to impress upon those present, and particularly Mr. Dodge, a small proportion of total budget of CIA which goes for actual intelligence and also the need for integration of intelligence and planning data in producing really valuable estimates of net capabilities. Altogether an inspiring two and one-half hours.

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[REDACTED]